



July 25, 2011

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Ohio Credit Union League Comments on Proposed Rule 12 CFR 705
Community Development Revolving Loan Fund

Dear Ms. Rupp:

The Ohio Credit Union League (OCUL) appreciates this opportunity to provide comments on the National Credit Union Administration's (NCUA) proposed rule 12 CFR 705 – Community Development Revolving Loan Fund (Fund). The Ohio Credit Union League is the trade association for credit unions in Ohio that advocates on behalf of Ohio's 386 federal- and state-chartered credit unions and their 2.7 million members. The comments below reflect the recommendations and suggestions of the Ohio Credit Union League.

NCUA has issued this proposed rule that will reorganize and amend the regulations for the Community Development Revolving Loan Fund (CDRLF) under Part 705 of NCUA's regulations.

Specifically, NCUA has issued the proposed rule in an effort to clarify and improve the process for credit unions to apply for loans and technical assistant grants (TAGs).

§705.1 Authority, Purpose and Scope

OCUL agrees with the reorganization of the authority, scope and purpose of the program to confirm the first three sections of the current rule into one section, as well as with the proposed language describing the standard to measure the expected impact awards from the Fund can have on credit unions, their membership and communities. Further, OCUL agrees with the addition of language that any loans or TAGs are subject to NCUA's discretion and funds availability.

§705.2 Definitions

The current rule has only two definitions, "low-income members" and "participating credit unions." OCUL agrees with the decision to retain the definition of "low-income members" while also adding language to more easily clarify that low-income designations for federal credit unions and federally-insured credit unions are determined pursuant to §701.34 and §741.204, respectively (and that low-income designations for non-federally insured state-chartered credit unions must be made by the appropriate regulator with the concurrence of NCUA).



With respect to the addition of the term “qualifying credit union,” OCUL is of the position that it provides clarity to credit unions seeking community development revolving loan funds that they must possess a current low income designation as well as agree to be examined by NCUA. In addition, OCUL is also in agreement with the proposed modification of the definition of a “participating credit union” to be a “qualifying credit union” that has submitted an application approved by NCUA.

§705.5 Terms and Conditions

OCUL agrees with the elimination of the matching funds requirement (with the caveat that NCUA may require matching funds for certain loans) contained in the current rule as it believes that most, if not all, credit unions seeking assistance from the Fund will already be in a place of financial hardship and that any endeavor to create opportunities for sustained success should not be predicated on the fact that the credit union may not have the ability to match funds.

However, OCUL believes that the proposal should eliminate the requirement, in those instances where NCUA deems it necessary for a credit union to provide matching funds, that the matching funds be obtained from a non-governmental source. Again, it is OCUL’s belief that qualifying credit unions seeking Funds pursuant to §705.1 will “better enable them to support the communities in which they operate and provide basic financial services to low-income residents of these communities. OCUL further believes that this will result in more opportunities for the residents to improve their financial circumstances,” and therefore, the residents should not be further handicapped based upon the origin of the matching funds.

§705.6 Application and Award Processes

(a) Notice of Funding

OCUL agrees with NCUA’s proposed rule that it not publish an annual notice of program opportunities in the Federal Register as credit unions seeking to participate in NCUA’s Funds program will most likely seek information by visiting NCUA’s web site. Additionally, information regarding the Funds program will also be provided via NCUA Letters to Credit Unions and Express NCUA emails, as well as on the government’s website for financial award programs.

(b) Application Requirements

Community Needs Plan

OCUL applauds the removal of the requirement for the submission of a Community Needs Plan as Funds will only be awarded to “qualifying credit unions” with a low-income designation. Additionally, information regarding the needs of the community will be delineated on the Funds application.

(c) Evaluation and Selection of Participating Credit Unions

Concurrence of Supervising Regional Director

OCUL does not agree with the requirement regarding the concurrence of the credit union's supervising Regional Director. It is assumed that NCUA's underwriting criteria was developed with the intent of enabling it to objectively assess and evaluate credit union Fund applicants. OCUL believes that qualifying federal credit unions meeting NCUA's underwriting criteria, which includes both objective (financial and performance consideration) as well as subjective (proposed use(s) of the funds) measurements, should not also be at the subjective discretion of a credit union's supervising Regional Director.

However, OCUL does concur with NCUA that, for state-chartered credit unions subject to state regulatory authority, NCUA should seek and consider written concurrence from the respective state regulatory authority in the evaluation and selection process. The state regulatory authority bears ultimate responsibility for evaluating those under its charge for safety and soundness and cannot perform its obligations unless it has access to all necessary and relevant information by which to do so.

§7051.10(g) Disbursement

OCUL agrees with the requirement that participating credit unions complete all applicable paperwork, (i.e. loan documentation, promissory notes, etc.) prior to disbursement of the loan. However, OCUL believes that should NCUA choose not to disburse the entire loan at once, NCUA should provide notice in writing to the credit union stipulating a schedule of release of subsequent loan funds and any performance measures tied to the release of subsequent funds.

§705.9 Reporting and Monitoring

While OCUL agrees that NCUA must monitor credit unions for compliance with the Funds program, OCUL believes that §705.9, which permits NCUA to require reporting by participating credit unions "at such times and in such formats as NCUA shall direct" is overly broad and far reaching. NCUA should develop and delineate clear, concise evaluation criteria that sets forth the type of information required to be submitted, schedules and timeframes for submission, and acceptable formats and methods of submitting the information. Having advance knowledge of the types of materials and schedules for submission would be mutually beneficial to both NCUA and the participating credit unions, allowing for reporting consistency and ample time for the preparation and submission of the required information.

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Conclusion

The Ohio Credit Union League is in favor of regulation designed to improve the process for credit unions to participate in the Funds program, thereby increasing participation and creating additional opportunities for both the credit union to further its philosophy of people helping people. The Ohio Credit Union League respectfully requests that NCUA considers OCUL's suggestions and concerns when evaluating the proposed rule.

Thank you for your consideration of our concerns regarding the proposed rule and its potential impact on credit unions. The Ohio Credit Union League appreciates the opportunity to present comments on behalf of Ohio's credit unions to the NCUA on its proposed rulemaking for the Community Development Revolving Loan Fund, and respectfully requests consideration of the comments presented. OCUL is available and will provide additional information if requested. Thank you for your consideration. If you have any questions, or if I can be of additional assistance, please contact the League at (800) 486-2917 or jkozlowski@ohiocul.org.

Sincerely,



John F. Kozlowski, Esq.
General Counsel



Valerie Edgington, CUCE, BSACS
Manager, Risk Management

cc: Mary Dunn, CUNA, Sr VP and Deputy General Counsel
Tim Boellner, OCUL Chair
Jennifer Ferguson, GAC Chair
Paul Mercer, OCUL President